City of Long Beach
Redevelopment Reports Requested by the City Council on August 20, 2002
Executive Summary

This information is available in an alternative format by request to Otis Ginoza at (562 570-5093).

Executive Summary

Redevelopment Reports Requested by the Long Beach City Council
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Background

On August 20, 2002, the City Council took the following action as described in the annotated minutes:

> "Required City Manager to prepare report evaluating and recommending which portions of the City would be appropriate to include in Redevelopment."

At the same meeting, the City Council directed the City Manager, the City Attorney and the City Auditor to prepare a report containing:

1. A study of redevelopment in Long Beach.
2. A description of the process for involving the City Planning Commission, the Project Area Committees (PACs) and the communities of Long Beach within the Redevelopment areas in a project area merger process.
3. An evaluation of potential merger parameters.

The wording of that request was as follows:

> "Required Redevelopment Agency, City Manager, City Attorney and City Auditor (with the City Manager as report lead in representing the interests of the other parties) to complete a study within 90 days prior to City Council consideration of any alterations (alterations could be changes, merger or readoptions of the Redevelopment Project Areas) that would include, but not be limited to, the study of redevelopment, the process for involving the City Planning Commission, the Project Area Committees and the communities of Long Beach within the Redevelopment areas, and the review and consideration of the following parameters and any new raised parameters during the process, such as: (1) creating a system that protects the integrity of existing and pending strategic plans; (2) providing that the majority, 50% for example, will be spent in the neighborhood project areas; (3) requiring a downtown payback of the West Area funds; and (4) and assuring the ability of the North Project Area Committee to keep all of the funds of its $37 million bond issue."

On October 15, 2002, the staff requested, and the City Council consented to a revised schedule allowing the release of written reports in January of 2003 and an oral presentation to the City Council in February of 2003.

Report Structure

The reports requested by the City Council are contained in seven parts described below:

Executive Summary

Volume I	Survey and Recommendation of Areas of Long Beach that Could Be Included in Redevelopment Project Areas.
Volume II	Study of Redevelopment in Long Beach.
Volume III	Background on Redevelopment Project Area Mergers. Involving Organizations and the Public in a Project Area Merger Process. Merger Alternatives (Parameters).
Volume IV	Tables for Volume III.
Volume V	Appendices.
Volume VI	Comments from Project Area Committees and Members of the Public.

Public Participation

The City Council requested that staff consult with the public regarding the August 20th Redevelopment Reports (Reports). The public was invited to comment on the planned August 20th Redevelopment Reports at the following meetings:

October 16, 2002, City Council Meeting	Staff provided a progress report on the August 20th Reports.
October 23, 2002, Agency Study Session	The public was invited to comment on the proposed Reports. The meeting was advertised in the newspaper and notices were sent to all community organizations and all PAC members.

October 17, 2002, North PAC Meeting	Staff attended the North PAC meeting and invited public comment on the Reports.
November 7, 2002, Central PAC Meeting	Staff attended the Central PAC meeting and invited public comment on the Reports.
November 13, 2002, WLBI PAC Meeting	Staff attended the WLBI PAC meeting and invited public comment on the Reports.
November 25, 2002, North PAC Meeting	Staff attended a second North PAC meeting and invited public comment on the Reports. The North PAC provided staff with written recommendations (see Volume VI).

The public comments from the meetings listed above have been summarized and are included in Volume VI. Staff invites further public comment on the Reports. The Reports were distributed to the Project Area Committees, Agency Boardmembers and City Councilmembers. All of the City's neighborhood organizations were sent a notice that the document was available. Copies of the Reports are available at each public library and can be downloaded from the Redevelopment Agency's web page. Additional copies are available for viewing at the offices of the City Clerk and Redevelopment Agency. The documents are also available to the public on request in a printed format and on CD-ROM. This information is available in an alternative format by request to Otis Ginoza at (562) 570-5093.

All interested parties are encouraged to provide written comment on these reports by March 19, 2003. All written comments from PACs, community organizations and any members of the public will be included in Volume VI.

Please submit written comments to:

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Redevelopment Administrator
City of Long Beach
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Long Beach, CA 90802

FAX: (562) 570-6215
Email: otis_ginoza@ci.long-beach.ca.us

Staff Goals

There has been considerable public debate regarding the potential merger of Long Beach's seven redevelopment project areas. It is the goal of staff that the

Reports provide the information requested on August 20th, answer questions posed by the public during discussions of a potential merger and provide the factual data that any citizen might require to knowledgeably participate in the public debate to follow.

Executive Summary of Volume I
Survey and Recommendation of Areas of Long Beach that Could Be Included in Redevelopment Project Areas

Staff solicited recommendations for new areas to be added to redevelopment from City Councilmembers, Agency Boardmembers, Planning Commissioners, Economic Development Commissioners, Project Area Committee members and members of the public. A consultant familiar with the adoption of new project areas conducted a driving survey of the City of Long Beach to search for potential areas to add to redevelopment. In all, staff received 61 recommendations. After the recommendations were compared, staff determined that there were 34 unique areas recommended for inclusion in a redevelopment project area. The Redevelopment Agency's consultant reviewed all of the 34 unique areas and sorted them into three groups "Strong Candidate" "Possible Candidate" and "Unlikely Candidate." Volume I describes four (4) areas totaling 536 acres that were identified to be Strong Candidates and twelve (12) areas totaling 1,610 acres that appeared to be Possible Candidates.

Community Redevelopment Law (CRL) describes the kinds of blight that must be present for an area to become part of a redevelopment project area. The areas classified as Strong Candidates or Possible Candidates exhibit the kind of physical blight that is readily apparent from a driving survey. However, sites may not always be as they appear during a quick survey. A site that appears to be ripe for development and not blighted may be badly blighted due to soil contamination. A site that appears to be blighted due to poor maintenance may be in an area that is already being upgraded by the private sector. During the process of adopting a new project area, all potential sites would be given a more careful review. Upon closer examination, staff may discover that some of the Strong or Potential Candidates area not truly blighted. Staff may discover that some of the sites classified as Unlikely Candidates are in fact blighted.

Detailed maps of these proposed areas are contained in Volume I. A brief listing of the areas judged to be Strong or Potential Candidates follows:

Area 1 – Santa Fe Corridor (Strong Candidate)
A 144-acre area along Santa Fe Avenue south of the 405 Freeway.

Area 2 - Willow Street / 20th Street (Strong Candidate)
An 87-acre portion of Long Beach adjoining the North and Central Redevelopment Project Areas.

Area 3 – Community College (Strong Candidate)
Area 3 is adjacent to Long Beach Community College and consists of 74 acres of single-family and multi-family housing with some commercial uses.

Area 4 – 15th Street (Strong Candidate)
Area 4 is in the central portion of Long Beach generally along the 15th Street corridor between Martin Luther King, Jr. and Temple Avenues. This area is adjacent to the Poly High and Central Redevelopment Project Areas.

Area 5 – Boeing Plant (Possible Candidate)
Boeing has consolidated their operations east of Lakewood Avenue leaving a 187-acre site for reuse. The site is currently occupied by obsolete manufacturing structures.

Area 6 – Cherry Avenue (Possible Candidate)
This area consists of 77 acres of commercial and industrial uses along Cherry Avenue adjacent to the Long Beach Airport and the City of Signal Hill.

Area 7 – San Gabriel River Channel (Possible Candidate)
This area consists of industrial and underutilized land amounting to 493 acres located along Westminster Avenue east of Pacific Coast Highway.

Area 8 – Redondo Avenue (Possible Candidate)
The Redondo Avenue area consists of two parcels located between 20th Street and just north of Stearns Street in the central portion of the City adjacent to the City of Signal Hill and the Central Project Area. The site is primarily vacant, but has been used for oil production.

Area 9 – Anaheim Street / 15th Street (Possible Candidate)
This 195-acre area is located in the southern portion of the City adjacent to the Central Project Area and the City of Signal Hill. This area is a mix of single-family, multi-family and commercial land uses.

Area 10 – 4th Street / 10th Street (Possible Candidate)
This area consists of a mixture of commercial, single-family and multi-family residential land uses located in the southern portion of the City adjacent to the Central Project Area. There are approximately 347 acres in this area, which generally includes the 4th through 11th Street corridors.

Area 12 – Willow Street/Olive Avenue/Sunrise Boulevard/Lime Avenue (Possible Candidate)
A small residential neighborhood with some deteriorated housing.

Area 13 - Central (Possible Candidate)
This potential addition to redevelopment is a residential neighborhood bounded by E. Burnett, Alamitos, 19th Street and Atlantic Avenue that contain homes with deferred maintenance.

Area 35 – Marco Plaza (Possible Candidate)
This candidate is an older strip center from the 1950s located at the intersection of Atherton Street and Clark Avenue.

Area 37 – LA Plaza (Possible Candidate)
The LA Plaza area is a neighborhood-serving commercial node at the intersection of Lakewood Boulevard and Stearns Street.

Area 46 – Retention Basins (Possible Candidate)
This area includes the retention basins that are west of Golden Avenue between Wardlow Road and the 405 Freeway. The site includes the foundation of a demolished building that may have been the site of oil drilling. Given the prior use of the site it may have hazardous materials contamination.

Area 54 – 7th Street (Possible Candidate)
Two segments of 7th Street between Walnut and Cherry and Temple and Redondo Avenues are possible candidates for redevelopment as some buildings are in need of substantial rehabilitation.

Volume I describes areas that could meet the legal requirements for inclusion in a redevelopment project area. Some of the areas recommended by the community or public officials did not appear to be sufficiently blighted to be included in a redevelopment project area. Those sites are described in Volume I.

Executive Summary of Volume II - Study of Redevelopment in Long Beach

Volume II, *The Study of Redevelopment in Long Beach*, was prepared to present the reader with a concise study of redevelopment as it has been experienced in the City of Long Beach as well as other cities. The report describes the reason each of the project areas was initially adopted, the strategies that the Agency utilized to resolve those problems and the major accomplishments in each area. In addition, the structure of redevelopment agencies in other cities is examined illustrating public involvement practices and strategies utilized to affect redevelopment of blighted areas.

The Agency adopted each of its redevelopment project areas to alleviate specific problems. In the early 1960's, West Beach was an urban slum with health and safety hazards. The Agency acquired all of the properties in the Project Area, relocated the businesses and residents and cleared the properties for future development. The Project Area's achievements include the construction of five major office structures.

When the Poly High Redevelopment Project Area was adopted many, if not most, of the residential structures were in a deteriorated condition. The Agency's strategy to turn the area around involved improvements to the three main uses in the area: educational, residential and commercial.

The area that is now the Downtown Redevelopment Project Area historically served as the main business and commercial center of the City. When the Project Area was adopted in 1975, downtown Long Beach could not effectively compete with new developments that were being built in outlying areas. The Agency adopted strategic plans, eliminated incompatible uses and vacant and blighted buildings were acquired and redeveloped. To assist the private developments, additional parking was added and public improvements were installed. Finally, Pine Avenue, the historic shopping district in the area, was reestablished as a commercial destination location.

At the time the West Long Beach Industrial (WLBI) Project Area was adopted, it was suffering from a number of blighting influences. The largely industrial area was scattered with incompatible residential uses that were poorly maintained and overcrowded. In addition, many of the industrial uses were economically and functionally obsolete and were poorly screened and/or maintained. The area also lacked adequate infrastructure and public improvements.

The Agency does not have the power of eminent domain in the WLBI Project Area and therefore cannot employ many of the most effective redevelopment strategies. Agency efforts in WLBI have therefore centered on the installation of public improvements, exterior improvement programs, Agency opportunity purchases and land banking.

The Los Altos Redevelopment Project Area was adopted to reverse the continuing decline of the Los Altos Shopping Center and surrounding retail developments. The Agency was successful in transforming the out-of-date and blighted Los Altos Shopping Center into the popular Los Altos Market Center.

The North Long Beach Redevelopment Project Area was adopted in 1996 and the redevelopment of the Project Area has recently begun. The Agency's efforts to revitalize the Project Area started with the preparation of *The North Long Beach Strategic Guide to Redevelopment* that was recently completed and will serve as a blueprint for future redevelopment in the area. Also recently completed was the *NLB Street Enhancement Master Plan*, which provides a three-year program of street enhancements totaling approximately $18 million.

The Central Long Beach Redevelopment Project Area was originally adopted in 1993 in response to the 1992 civil disturbances. The Agency's ability to redevelop the Central Project Area was restricted by the lack of tax increment income. In 2001, the Redevelopment Agency adopted the Central Project Area for a second time and it will receive tax increment for the first time in FY 2003. The Redevelopment Agency and the Central PAC are currently preparing a strategic plan for the future redevelopment of the project area.

The Agency's employment of the strategies discussed above has resulted in numerous successful redevelopment projects and programs. Those achievements are listed in Volume II. The Agency has faced significant challenges in each redevelopment project area. Certain challenges, however, have been especially daunting and deserve special attention. Those challenges include: the lack of eminent domain in the WLBI Project Area, the absence of tax increment revenue in the Central Project Area, funding new projects and the creation of project areas with limited assistance available from the City and the provision of decent, safe and sanitary housing.

Most of California's 475 cities have activated their redevelopment powers. In most cities, the city council also serves as the board of the redevelopment agency. Only in the largest cities are separately appointed boards that handle redevelopment matters more typical. In several larger cities these boards operate as fully functioning redevelopment agencies. It is just as common, however, for the appointed boards to have less than a full range of powers even in large cities. Rather, many of the boards serve more in an advisory capacity or handle smaller matters.

It is no coincidence that separate boards appear in the largest cities. First of all, the large volume of transactions and administrative responsibilities that must go before redevelopment agencies in larger cities make it a challenge for the City Council to handle all redevelopment matters. A separate board can be more focused and have the luxury of developing specialized expertise in a particular area. The downside of a separate board is that it can become its own power base and begin to focus in directions that are not desired by the elected representatives.

Many redevelopment agencies across that state use ad hoc community groups to provide input on important redevelopment projects and programs. Some agencies also use ongoing advisory groups, either formal Project Area Committees (PACs) or other advisory groups. The bigger the city, the more the advisory groups tend to be ongoing and formal.

Most cities follow the minimum legal requirements that call for a PAC to be formed for the adoption of a project area and for a lifespan of three years. These PACs tend to be very active during the redevelopment plan adoption or amendment process, with a more limited role thereafter. Three of the 10 largest cities in California (Santa Ana, Anaheim and Oakland) either have no PACs or keep to the legal guidelines and disband any PACs after three years. Six major cities, (Long Beach, Los Angeles, San Diego, San Francisco, Sacramento and Fresno) have PACs, or similar advisory groups, that have been in existence for longer than 3 years. Many larger cities transition their PACs into other types of neighborhood groups after expiration of the three-year term. Besides Long Beach and San Francisco, no cities were identified that have formally bestowed upon the Project Area Committee duties and rights beyond those specifically provided for in the law.

Redevelopment agencies routinely assist private developers in order to attract desirable new development and other uses to targeted areas of the city. The nature of the public/private partnerships that result vary from one type of development to another, as well as from one city to another. Volume II includes twelve case studies of redevelopment projects in other cities.

Through redevelopment, the City has overcome many obstacles to achieving a successful city. While Agency accomplishments have been notable and many problems have been overcome, significant additional challenges face the City in 2002 and thereafter. The City's Redevelopment Project Areas have generated a significant amount of tax increment to date. The number of years remaining, however, for many of the older project areas is limited. These limitations will affect the amount, as well as the number of years, that the Agency can receive tax increment revenues from these areas. It is therefore recommended that the Agency continue to adopt policies and programs that will maximize redevelopment efforts and concentrate efforts where they will do the most good.

Executive Summary of Volume III

Volume III provides an explanation of background information on redevelopment project area mergers, a description of the public consultation process required for a merger and a discussion of merger alternatives.

CRL permits redevelopment agencies to merge multiple project areas into a single project area. Redevelopment agencies merge redevelopment project areas for three reasons: 1) to be able to transfer tax increment from one project area to another, 2) to improve their ability to issue bonds and 3) to more efficiently administer redevelopment programs.

In Long Beach, staff began researching the possibility of merging the project areas in 1995. Staff determined that a merger was feasible and beneficial and informed the WLBI and Central PACs of the Agency's interest in a merger. The WLBI PAC informed staff and the Redevelopment Agency of their opposition to a merger of the project areas. At that time, staff proposed to merge all of the redevelopment project areas except the Downtown Project Area. On June 24, 1996, the Redevelopment Agency approved a contract with a redevelopment consulting firm to prepare the documents needed for a merger. At the same time, the Redevelopment Agency was preparing to issue bonds for the WLBI Project Area. In response to the proposed bond issue, the Westside Industrial Counsel (WIC) sued the Redevelopment Agency. Due to the litigation, staff continued their merger research, but did not take any of the procedural steps required for a merger. The litigation eventually was concluded and on December 14, 1998, the Redevelopment Agency again authorized staff to explore the potential merger of its redevelopment project areas.

Staff again presented information on the potential merger to the Agency Board, subcommittees and Project Area Committees (PACs) this time including the new North PAC. During the course of several meetings with the Redevelopment Agency Board, the PACs expressed their opposition to merging the project areas. Lacking public support, the Redevelopment Agency Board and staff ended their consideration of a project area merger.

During 2001, Councilwoman Richardson met with staff in a series of meetings to discuss options for increasing the funding for projects in the central area of Long Beach. In the spring of 2002, City Councilmembers began discussing the possibility of a project area merger and requested the assistance of staff to answer a large number of questions. The City Council discussed the potential for a project area merger on August 20, 2002, and asked staff to prepare this report.

The merger of Long Beach's redevelopment project areas would have a number of benefits:

<u>Sharing of Resources</u>
Some redevelopment project areas have large amounts of tax increment available for projects and programs while other project areas have very little funding. A project area's need for redevelopment does not always correspond to the amount of funding it has. If all of Long Beach's project areas were merged, all of the Redevelopment Agency's funds could be pooled and allocated to the highest priority projects and programs regardless of which project area they were located in.

<u>Integrated Approach to Programs and Services</u>
Because some project areas have great financial resources and others have very little funding, the Agency has not been able to offer uniform programs across all project areas. With a merged project area, the Redevelopment Agency could offer commercial façade improvement loans, new public facilities, infrastructure improvements, new community parks and economic development services in all project areas.

Greater Financial Strength
If all seven Long Beach project areas were merged, it would create a very large and very diverse project area whose bonds would be considered a better investment than the individual bonds issued by each project area.

Rapid Start-up of New Project Areas
Most new project areas must wait years before generating enough tax increment to begin redevelopment activities. If a new project area were added to a merged project area, there would be funds available to begin redevelopment activities immediately.

During public discussion of a proposed merger, participants have described the following potential disadvantages of a project area merger:

Time and Cost to Merge Project Areas
Merging the redevelopment project areas would require nearly a year of staff time and expenditures of $300,000 to $400,000 for consultants, an Environmental Impact Report and the distribution of information to the public.

Funding No Longer Assured
If the project areas were merged and Agency funds pooled, the Redevelopment Agency Board and City Council would have the ability to fund their highest priority projects and no project area would have a guaranteed level of funding from year to year. Residents and businesses in project areas with ample funding may not wish to see tax increment moved to other project areas.

May Not Be Able to Complete Strategic Plans
The Redevelopment Agency has adopted a strategic plan for the redevelopment of the North Long Beach Project Area. Staff is preparing strategic plans for the West Long Beach Industrial (WLBI) and Central Project Areas. After a merger, the Redevelopment Agency could transfer funds from one project area to another. Donor project areas might not, in the long run, have sufficient resources to complete their strategic plans.

Competition Between Project Area Committees
If all project area funds were pooled after a merger, the three PACs could find themselves competing for funding from the tax increment pool. Some citizens have expressed the opinion that the competition for funds would breed divisiveness between the PACs and neighborhoods.

Diminished Influence of Project Area Committees
Each PAC has considerable influence on the decisions of the Agency Board within their project areas. If the project areas were merged, and

each PAC forced to compete for resources, their influence over Agency Board decisions might diminish.

A redevelopment agency can merge redevelopment project areas by amending each project area's redevelopment plan. The process of amending a redevelopment plan is quite lengthy. The legislature's intent was that redevelopment agencies could transfer tax increment between project areas, but only after a process of complete disclosure and consultation with affected residents, businesses, property owners and other government agencies. The required process for the merger of redevelopment project areas takes approximately nine to twelve months. Many organizations have important roles in the merger process including the City Council, Planning Commission, Redevelopment Agency, Project Area Committees, taxing agencies, consultants, staff and the public.

The City Council would make the final decision regarding a project area merger. It is an important decision and CRL does not allow them to make it quickly. Before a City Council can merge redevelopment project areas, it must consider the environmental impacts (as described in the Final EIR), the feasibility of the proposed merger (as described in the *Report to Council*) and it must consider the opinions of the PACs, Planning Commission, taxing agencies and public.

Most redevelopment agencies that merged their redevelopment project areas did so in order to allow them the flexibility to pool tax increment and use it for their highest priority projects regardless of location. However, during recent public discussions regarding the proposed merger of the project areas in Long Beach, participants suggested that it would be better to place restrictions, or parameters, on how funds would be allocated to each project area.

The City Council does not have a simple choice of merging or not merging the project areas. It has a wide range of alternatives. The City Council could do nothing, it could merge the project areas and place no restrictions on the Redevelopment Agency, it could merge the project areas and establish parameters for allocation of funds or it could merge only two or three of the seven redevelopment project areas. The alternatives available to the City Council and Redevelopment Agency are as follows:

<u>Alternative #1 - Status Quo – Take No Action</u>
One alternative available to the City Council with regards to the proposed merger is to do nothing and to leave things as they are now. If the Redevelopment Agency and City Council take no action on the proposed merger, the restrictions on the transfer of tax increment from one project area to another will remain in place. Each project area will rely on its own resources to fund future projects and programs. Volume III describes the resources that will be available to each project area over the next ten years if no action is taken.

Alternative #2 - Unrestricted Merger

CRL allows redevelopment agencies to merge redevelopment project areas. Most cities that have merged project areas have not imposed parameters or restrictions on the ability of the redevelopment agency to move funds from one project area to another.

The merged project area would have a number of advantages over the older individual project areas. The Redevelopment Agency could pool all of the cash available for operations in each of the project areas, which totaled nearly $52 million as of the beginning of FY 2003 (See Table 1), and use the funds for its highest priority projects regardless of which project area they were located in. Each year, the Agency could pool the new revenues from all the project areas after satisfying the old project area's obligations.

A merged redevelopment project area would be much more diverse and would not have the financial weaknesses of the individual project areas. If the project areas were merged, the tax increment from all of the project areas could be pledged to a future bond issue. Bond purchasers would view the merged project area as less risky and the Redevelopment Agency would be able to borrow more money through the sale of bonds at a lower interest rate and with lower insurance costs.

After a project area merger, the Redevelopment Agency would have the ability to transfer funds between project areas to ensure that each project area could meet its debt service payments. The Redevelopment Agency would have less need for its Voluntary Reserves. After a merger, the Redevelopment Agency could, for example, change its Voluntary Reserve Policy to a six-month debt service reserve. The Redevelopment Agency currently has $15 million in the combined Voluntary Reserves of all of the project areas (See Table 1). If the Voluntary Reserve was reduced to six-months debt service, $7.4 million dollars could immediately be released for projects and programs.

Alternative #3 – Retain Existing Project Area Committees

If the Redevelopment Agency and the City Council merged all seven redevelopment project areas, it could choose from any of the following options:

- Retain the existing Central, North and WLBI Project Area Committees.
- Disband all three PACs and form one new PAC to represent all of the project areas.
- Disband all of the PACs and have no PAC for the merged project area.
- Hold new PAC elections and form new PACs for some or all of the project areas.

Alternative #4 – Use a Ranking Process to Allocate Tax Increment

After a project area merger, the Redevelopment Agency Board could allocate a pool of funds from all of its project areas to those development projects and programs it judged to be the highest priority. During the public discussions, speakers suggested that a less political and more objective process be used to allocate pooled funds. An objective evaluation process could be created and used to allocate the pooled tax increment after a merger. Other government agencies commonly evaluate projects based on a point ranking system. A set of objectives for projects is created and projects are awarded points for their potential to meet each objective.

The advantage of using a points ranking process to allocate tax increment is that it might be more objective and could blunt competition between neighborhoods for funding. Those participating in the points ranking process would have an opportunity to compare all potential projects citywide on a level playing field.

The disadvantage of a points ranking process is that it could extend the time needed to complete a redevelopment project. A points ranking process could take authority away from the Redevelopment Agency Board and invest it in the points ranking committee.

Alternative #5 - Each Project Area Keeps a Fixed Portion of its Revenues

The CRL restrictions on the transfer of tax increment from one project area to another provide assurance to the PACs that they will have a secure source of funds for future redevelopment projects and programs. If the project areas were merged, there would be no guaranteed funding for an individual project area, as all potential projects and programs from all project areas would compete for funds. One proposed compromise would be to guarantee each project area a fixed percentage of its revenues. Each project area could retain 25%, 50% or 75% of its tax increment revenue and contribute the remainder to an Agency pool of tax increment. This alternative is a compromise between the current situation where tax increment is retained by the project area that generated it and an unrestricted merger where all tax increment is pooled.

Alternative #6 – Project Areas Keep all Bond Proceeds After a Merger and all Annual Revenues are Pooled

The Redevelopment Agency sold bonds in June and December of 2002. As a result of those bond issues, redevelopment project areas have the following bond proceeds:

Downtown	$3.1 million
North	$36.0 million

Central $3.6 million

Under this alternative, the project areas are merged and all of the annual revenues pooled. However, each project area would retain the proceeds it received from the recent bond issues.

The Downtown, Central and North Project Areas each have detailed spending plans for the bond proceeds they currently hold. If each project area is allowed to keep its bond proceeds after a merger, then the spending plans can be completed. However, allowing each project area to keep its bond proceeds limits the ability of the Redevelopment Agency to fund its highest priority projects.

<u>Alternative #7 – Allocate Revenues by Land Area or Population</u>
Some of the alternatives use a formula to allocate revenues between project areas. Some formulas are based on a percentage of the amount of tax increment that the project area currently receives. It could be argued that the amount of tax increment a project area receives has little to do with its need for redevelopment.

Perhaps project area resources could be divided using some other formula that could balance each project area's need for redevelopment. As an example, Volume IV contains tables that divide tax increment between project areas based on land area or population. Constructing a formula that quantitatively measures the need of each project area for redevelopment would be very challenging, but not impossible. The federal government has devised formulas to allocate funds between states and localities based on population and income.

<u>Alternative #8 – Reallocate Port Tax Increment</u>
The Port of Long Beach in located in the North and WLBI Project Areas and generates tax increment. Under this alternative each project area would retain its tax increment except the tax increment generated by the Port. The Port tax increment is reallocated using several different formulas.

<u>Alternative #9 – Each Project Area Retains its Tax Increment and Cash Balances but all Project Areas Support Bond Issues</u>
Merging the redevelopment project areas provides the Redevelopment Agency with important financial advantages when issuing bonds. These advantages could be obtained without any reallocation of funds between the project areas. The project areas could be merged, but the amended redevelopment plans or a City Council resolution would require that the Agency allow each project area to retain its cash balances and the tax increment it generates. There would be no sharing of assets or tax increment. When the Redevelopment Agency issued bonds in the future,

it would sell bonds based on a pledge of tax increment from all of the project areas. As described earlier, a combined bond issue would be viewed by bond purchasers as less risky and would have a lower interest rate, lower mortgage insurance costs and a more favorable debt coverage ratio.

Alternative #10 – Retain Inter-project Loans, Repay Inter-project Loans
The WLBI Redevelopment Project Area has generated tax increment in the amount of $113 million since the project area was adopted in 1975. Some of these funds were used in other redevelopment project areas. WLBI tax increment was used for the Wrigley Village Marketplace (Central Project Area), Anaheim/Atlantic Shopping Center (Poly High Project Area), the Los Altos Market Center (Los Altos Project Area), Pine Square (Downtown Project Area) and Long Beach Plaza (the first Long Beach Plaza constructed in 1980 in the Downtown Project Area). The transfers of funds from the WLBI Project Area to other project areas were structured as loans and are collectively referred to as the Inter-project Loans.

Under this alternative the Inter-project loans and the loan payments to the WLBI Project Area would remain in-place after a merger. The primary advantage is that it would provide the WLBI Project Area with a source of funds for which it would not have to compete with other project areas.

Alternative #11 - Merge only the North and Central Project Areas
The Redevelopment Agency has devoted considerable effort to the revitalization of downtown Long Beach. Redevelopment activities in the Downtown and West Beach Project Areas have resulted in the establishment of downtown as the City's dynamic center for business, the arts and tourism. In recent years, the Redevelopment Agency has changed its emphasis. The Agency's redevelopment activities now place more emphasis on neighborhood improvement and the quality of life for City residents. The Agency's most recent budget contains much more money for public works projects such as new libraries, parks and street and alley improvements than it does for traditional redevelopment activities such as the development of commercial property.

Some in the community feel that, over the last 20 years, the Redevelopment Agency has concentrated too much effort and too many of its resources in the downtown at the expense of the neighborhoods. They are concerned that an unrestricted merger of the project areas could result in the reallocation of funds from neighborhood improvement to large downtown development projects. Merging only the North and Central Project Areas would allow for revenue sharing between those two project areas, but not fund downtown projects.

Enforcement of Parameters

The Redevelopment Agency and City Council can only merge the project areas through the amendment of each redevelopment plan. The project areas could be merged without restriction or they could be merged with parameters. The parameters could be enforced in one of two ways. The parameters could be included in Agency and City Council resolutions or they could be incorporated into the amended redevelopment plan or plans.

If the parameters were established through Agency and City Council resolutions, future Agency Boards and City Councils would have the flexibility to change the parameters if the City's needs changed. The parameters can be made more difficult to change by including them in the new redevelopment plans for the merged project area.

Moving Funds Without A Merger

One benefit of merging the redevelopment project areas is the ability to freely transfer tax increment from one project area to another. However, it is possible for one project area to provide limited assistance to another project area without a merger. This section of Volume III describes the methods for moving funds allowed by CRL without merging the project areas.

Alternative #12 - Transfer Tax Increment from North to Central Without Merging the Project Areas

If the City Council and Redevelopment Agency decided to transfer some tax increment from the North to the Central Project Area without merging the project areas, how would that be accomplished? The North Long Beach Project Area could pay the Central Project Area's housing set aside obligation. Using this method, the North Project Area could provide assistance in the amount of $485,000 in 2003. The amount of assistance could grow to $1,324,000 by 2012 as Central set-aside obligation increases. The ten-year assistance from North to Central could be as much as $9,207,000.

Alternative #13 - Acceleration of Downtown Housing Repayment Plan

The Downtown Redevelopment Project Area deferred its housing set-aside payment for a number of years and currently has a debt to the Housing Development Fund of $18 million. The Downtown Project Area is currently paying its full housing set-aside. The Downtown Housing Set-aside Repayment Plan states that when the Downtown Redevelopment Plan terminates in 2015, the Redevelopment Agency will use all available tax increment, after the payment of bond debt service, to repay the Housing Development Fund.

Under this alternative, the Downtown Project Area would begin repayment of the Housing Set-aside Deferral before 2015. The Downtown Project

Area could repay the set-aside deferral before 2015 by paying an additional housing set-aside payment of $1.4 million each year until 2015. The result would be less funding for downtown redevelopment projects and programs and more funding for affordable housing.

<u>Alternative #14 - North Long Beach Project Area Committee Proposed Project Area Merger Parameters</u>
The North Long Beach PAC adopted proposed project merger parameters at their November 2002 meeting. Volume III lists the North PAC's proposed parameters along with staff comments.

Executive Summary of Volume IV - Tables for Volume III

The discussion in Volume III often refers to the same tables repeatedly at different points. To assist the reader, the Tables are bound separately in Volume IV so that they may be easily referred to while reviewing Volume III. The Tables contained in Volume IV are as follows:

- Table 1: Cash Available by Project Area – September 30, 2002.
- Table 2: Project Area Characteristics that Influence the Generation of Tax Increment.
- Table 3: Project Area Net Tax Increment – FY 2003.
- Table 4: Available Revenues for Projects and Programs – FY 2003.
- Table 5: Net Tax Increment Projection – FY 2003-2012.
- Table 6: Revenues Available for Projects and Programs – FY2003-2012.
- Table 7: Net Tax Increment Generated by the Port.
- Table 8: Project Area Time Limits.
- Table 9: Tax Increment per Acre – FY 2003-2012.
- Table 10: Tax Increment per Capita – FY 2003-2012.
- Table11: Census 2000 Demographic Profile by Redevelopment Project Area.
- Table 12: Project Areas Retain 50% or 25% of Available Revenues – FY 2003.
- Table 13: Allocation of Available Revenues by Land Area – FY 2003.
- Table 14: Allocation of Available Revenues by Population – FY 2003.
- Table 15: Transfer of all North Port Tax Increment to the Central Project Area.
- Table 16: North and Central Project Areas Share Port Tax Increment.
- Table17: Divide Port Tax Increment Between Central, North and WLBI Project Areas.
- Table 18: North Pays Central and Downtown Set-aside.
- Table 19: Inter-Project Loan Summary.
- Table 20: Inter-Project Loan Payment Plan FY 2003-2015.
- Table 21: Housing Set-aside Projection – FY 2003-2012.

Executive Summary of Volume V - Appendices

Volume V includes the following Appendices:

- Redevelopment Plan Adoption and Amendment Process.
- Project Area Maps.
- Project Area Tax Increment Projections.
- Port Tax Increment Projections.
- Project Area 10-Year Cash Flows.
- Downtown Housing Set-aside Deferral Repayment Plan.

Executive Summary of Volume VI - Comments from Project Area Committees and Members of the Public

Volume VI contains a staff summary of oral comments received at public meetings and written comments received from the Project Area Committees. Additional written comments will be included in a later addition of this volume after the public and project area committees have had the opportunity to review the Reports.